

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



March 18, 2014

Kelli Moulton  
Superintendent  
Hereford Independent School District  
601 N. 25 Mile Ave.  
Hereford, Texas 79045

Dear Superintendent Moulton:

On December 19, 2013, the Comptroller received the completed application (Application # 355) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in November 2013 to the Hereford Independent School District (the school district) by Unity Wind, LLC (the applicant). This letter presents the results of the Comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

The school district is currently classified as a rural school district in Category 1 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$495 million) is consistent with the proposed appraised value limitation sought (\$30 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a renewable energy facility in Deaf Smith County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described by the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by the applicant, the Comptroller's recommendation is that this application under Tax Code Chapter 313 be approved.

Our review of the application assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements; the school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, Section 313.025 requires the school district to only approve an application if the school district finds that the information in the application is true and

<sup>1</sup> All statutory references are to the Texas Tax Code, unless otherwise noted.

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. As stated above, the Comptroller's recommendation is prepared by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

Note that any new building or other improvement existing as of the application review start date December 19, 2013, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

- 1) The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than ten (10) days prior to the meeting scheduled by the school district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
- 2) The Comptroller must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at [robert.wood@cpa.state.tx.us](mailto:robert.wood@cpa.state.tx.us) or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert  
Deputy Comptroller

Enclosure

cc: Robert Wood

**Economic Impact for Chapter 313 Project**

Applicant	Unity Wind, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Hereford ISD
2012-13 Enrollment in School District	4,229
County	Deaf Smith County
Total Investment in District	\$495,000,000
Qualified Investment	\$495,000,000
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	8*
Number of qualifying jobs committed to by applicant	8
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$885
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$885
Minimum Annual Wage committed to by applicant for qualified jobs	\$46,035
Investment per Qualifying Job	\$61,875,000
Estimated 15 year M&O levy without any limit or credit:	\$44,207,911
Estimated gross 15 year M&O tax benefit	\$29,097,335
Estimated 15 year M&O tax benefit ( <i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$25,251,929
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$4,002,440
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$18,955,982
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	57.1%
Percentage of tax benefit due to the limitation	86.2%
Percentage of tax benefit due to the credit	13.8%
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

This presents the Comptroller's economic impact evaluation of Unity Wind, LLC (the project) applying to Hereford Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
  - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
  - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

**Wages, salaries and benefits [313.026(6-8)]**

After construction, the project will create eight new jobs when fully operational. All eight jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Panhandle Council of Governments Region, where Deaf Smith County is located was \$41,850 in 2013. The annual average manufacturing wage for 2012-2013 for Deaf Smith County is \$43,316. That same year, the county annual average wage for all industries was \$36,413. In addition to an annual average salary of \$46,035 each qualifying position will receive benefits such as medical, vision, dental, vacation and sick leave. The project's total investment is \$495 million, resulting in a relative level of investment per qualifying job of \$62 million.

**Ability of applicant to locate to another state and [313.026(9)]**

According to Unity Wind, LLC's application, "Unity Wind, LLC can locate the Project anywhere in the United States with sufficient prevailing winds and solar conditions conducive to power generation and with access to transmission. A 313 appraised value limitation agreement with Hereford ISD is one of the key tax incentive agreements necessary to ensuring the Project's economic success.

**Number of new facilities in region [313.026(12)]**

During the past two years, 27 projects in the Panhandle Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

**Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]**

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Unity Wind, LLC project requires appear to be in line with the focus and themes of the plan. Texas identified renewable energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the renewable energy industry.

**Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]**

Table 1 depicts Unity Wind, LLC's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REM). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in Unity Wind, LLC**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2014	0	0	0	\$0	\$0	\$0
2015	0	0	0	\$0	\$0	\$0
2016	208	201	409	\$10,368,280	\$14,631,720	\$25,000,000
2017	8	16	24	\$368,280	\$2,631,720	\$3,000,000
2018	8	15	23	\$368,280	\$2,631,720	\$3,000,000
2019	8	15	23	\$368,280	\$2,631,720	\$3,000,000
2020	8	15	23	\$368,280	\$2,631,720	\$3,000,000
2021	8	17	25	\$368,280	\$2,631,720	\$3,000,000
2022	8	17	25	\$368,280	\$1,631,720	\$2,000,000
2023	8	17	25	\$368,280	\$2,631,720	\$3,000,000
2024	8	15	23	\$368,280	\$1,631,720	\$2,000,000
2025	8	23	31	\$368,280	\$2,631,720	\$3,000,000
2026	8	15	23	\$368,280	\$1,631,720	\$2,000,000
2027	8	12	20	\$368,280	\$1,631,720	\$2,000,000
2028	8	10	18	\$368,280	\$1,631,720	\$2,000,000
2029	8	4	12	\$368,280	\$631,720	\$1,000,000

Source: CPA, REMI, Unity Wind, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Hereford ISD's ad valorem tax base in 2012-2013 was \$1.04 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Hereford ISD's estimated wealth per WADA was \$195,279. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Deaf Smith County, High Plains Water District and Amarillo Jr. College with all property tax incentives sought being granted using estimated market value from Unity Wind, LLC's application. Unity Wind, LLC has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the county. Table 3 illustrates the estimated tax impact of the Unity Wind, LLC project on the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Hereford ISD I&S Tax Levy	Hereford ISD M&O Tax Levy	Hereford ISD M&O and I&S Tax Levies (Before Credit Credited)	Hereford ISD M&O and I&S Tax Levies (After Credit Credited)	Deaf Smith County Tax Levy	Deaf Smith County Hospital District Tax Levy	High Plains Water District Tax Levy	Amarillo Jr. College Tax Levy	Estimated Total Property Taxes
				0.0000	1.0400			0.5100	0.3908	0.0075	0.0500	
2015	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2016	\$414,850,000	\$414,850,000		\$0	\$4,314,440	\$4,314,440	\$4,314,440	\$0	\$1,621,234	\$31,280	\$207,425	\$6,174,378
2017	\$394,107,500	\$30,000,000		\$0	\$312,000	\$312,000	\$312,000	\$0	\$1,540,172	\$29,716	\$197,054	\$2,078,942
2018	\$374,402,125	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$1,463,164	\$28,230	\$187,201	\$1,834,594
2019	\$355,682,019	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$1,390,005	\$26,818	\$177,841	\$1,750,665
2020	\$337,897,918	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$1,320,505	\$25,478	\$168,949	\$1,670,932
2021	\$321,003,022	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$1,254,480	\$24,204	\$160,502	\$1,595,185
2022	\$304,952,871	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$1,191,756	\$22,993	\$152,476	\$1,523,226
2023	\$289,705,227	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$1,132,168	\$21,844	\$144,853	\$1,454,864
2024	\$275,219,966	\$30,000,000		\$0	\$312,000	\$312,000	\$156,000	\$0	\$1,075,560	\$20,752	\$137,610	\$1,389,921
2025	\$261,458,968	\$261,458,968		\$0	\$2,719,173	\$2,719,173	\$0	\$0	\$1,021,782	\$19,714	\$130,729	\$1,172,225
2026	\$248,386,019	\$248,386,019		\$0	\$2,583,215	\$2,583,215	\$2,391,948	\$1,266,769	\$970,693	\$18,728	\$124,193	\$4,772,330
2027	\$235,966,718	\$235,966,718		\$0	\$2,454,054	\$2,454,054	\$2,454,054	\$1,203,430	\$922,158	\$17,792	\$117,983	\$4,715,417
2028	\$224,168,382	\$224,168,382		\$0	\$2,331,351	\$2,331,351	\$2,331,351	\$1,143,259	\$876,050	\$16,902	\$112,084	\$4,479,646
2029	\$212,959,963	\$212,959,963		\$0	\$2,214,784	\$2,214,784	\$2,214,784	\$1,086,096	\$832,248	\$16,057	\$106,480	\$4,255,664
						Total	\$15,110,577	\$4,699,554	\$16,611,973	\$320,507	\$2,125,380	\$38,867,991

Assumes School Value Limitation and Tax Abatements with the Deaf Smith County

Source: CPA, Unity Wind, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

Year	Estimate d Taxable Value for I&S	Estimated Taxable Value for M&O		Hereford ISD I&S Tax Levy	Hereford ISD M&O Tax Levy		Hereford ISD M&O and I&S Tax Levies	Deaf Smith County Tax Levy	Deaf Smith County Hospital District Tax Levy	High Plains Water District Tax Levy	Amarillo Jr. College Tax Levy	Estimated Total Property Taxes
			Tax Rate <sup>1</sup>	0.0000	1.0400			0.5100	0.3908	0.0075	0.0500	
2015	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2016	\$414,850,000	\$414,850,000		\$0	\$4,314,440		\$4,314,440	\$2,115,735	\$101,327	\$31,280	\$207,425	\$6,770,207
2017	\$394,107,500	\$394,107,500		\$0	\$4,098,718		\$4,098,718	\$2,009,948	\$96,261	\$29,716	\$197,054	\$6,431,696
2018	\$374,402,125	\$374,402,125		\$0	\$3,893,782		\$3,893,782	\$1,909,451	\$91,448	\$28,230	\$187,201	\$6,110,112
2019	\$355,682,019	\$355,682,019		\$0	\$3,699,093		\$3,699,093	\$1,813,978	\$86,875	\$26,818	\$177,841	\$5,804,606
2020	\$337,897,918	\$337,897,918		\$0	\$3,514,138		\$3,514,138	\$1,723,279	\$82,532	\$25,478	\$168,949	\$5,514,376
2021	\$321,003,022	\$321,003,022		\$0	\$3,338,431		\$3,338,431	\$1,637,115	\$78,405	\$24,204	\$160,502	\$5,238,657
2022	\$304,952,871	\$304,952,871		\$0	\$3,171,510		\$3,171,510	\$1,555,260	\$74,485	\$22,993	\$152,476	\$4,976,724
2023	\$289,705,227	\$289,705,227		\$0	\$3,012,934		\$3,012,934	\$1,477,497	\$70,761	\$21,844	\$144,853	\$4,727,888
2024	\$275,219,966	\$275,219,966		\$0	\$2,862,288		\$2,862,288	\$1,403,622	\$67,222	\$20,752	\$137,610	\$4,491,494
2025	\$261,458,968	\$261,458,968		\$0	\$2,719,173		\$2,719,173	\$1,333,441	\$63,861	\$19,714	\$130,729	\$4,266,919
2026	\$248,386,019	\$248,386,019		\$0	\$2,583,215		\$2,583,215	\$1,266,769	\$60,668	\$18,728	\$124,193	\$4,053,573
2027	\$235,966,718	\$235,966,718		\$0	\$2,454,054		\$2,454,054	\$1,203,430	\$57,635	\$17,792	\$117,983	\$3,850,894
2028	\$224,168,382	\$224,168,382		\$0	\$2,331,351		\$2,331,351	\$1,143,259	\$54,753	\$16,902	\$112,084	\$3,658,350
2029	\$212,959,963	\$212,959,963		\$0	\$2,214,784		\$2,214,784	\$1,086,096	\$52,015	\$16,057	\$106,480	\$3,475,432
						Total	\$44,207,911	\$21,678,880	\$1,038,248	\$320,507	\$2,125,380	\$69,370,927

Source: CPA, Unity Wind, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table II" in this attachment shows the estimated 13 year M&O tax levy without the value limitation agreement would be \$39,661,776. The estimated gross 13 year M&O tax benefit, or levy loss, is \$29,097,335

Attachment 3 is an economic overview of Deaf Smith County.

**Disclaimer:** This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.



# Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

# Attachment 1

## Schedule A (Rev. May 2010): Investment

PROPERTY INVESTMENT AMOUNTS											
(Estimated investment in each year. Do not put cumulative totals.)											
	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)				
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)  Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)  Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2014	\$	\$		\$	\$				
			\$	\$		\$	\$				
			\$		\$	\$	\$				
			\$		\$	\$	\$				
Tax Credit Period (with 50% cap on credit)	Value Limitation Period	Complete tax years of qualifying time period	2015	\$	\$	\$	\$	\$			
			2016	\$	494,000,000	\$	850,000	\$	484,850,000	\$	494,850,000
			2017	\$	-	\$	-		\$	\$	-
			2018	\$	-	\$	-		\$	\$	-
			2019	\$	-	\$	-		\$	\$	-
			2020	\$	-	\$	-		\$	\$	-
			2021	\$	-	\$	-		\$	\$	-
			2022	\$	-	\$	-		\$	\$	-
			2023	\$	-	\$	-		\$	\$	-
			2024	\$	-	\$	-		\$	\$	-
			2025	\$	-	\$	-		\$	\$	-
			2026	\$	-	\$	-		\$	\$	-
Credit Settle-Up Period	Continue to Maintain Viable Presence	2027	\$	-	\$	-	\$	\$	-		
		2028	\$	-	\$	-	\$	\$	-		
	Post- Settle-Up Period	2029	\$	-	\$	-	\$	\$	-		
		2029-2030	\$	-	\$	-	\$	\$	-		

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.

This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.02(1)(A)-(D).

For the purposes of investment, please list amount invested each year, not cumulative totals.

[For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property].

Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers

qualified investment under Tax Code §313.021(1)(E).

For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value-for planning, construction and operation of the facility

The most significant example for many projects would be land. Other examples may be items such as professional services, etc.

**Note:** Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

**This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application**

This scorecard must be submitted with the original application and any appreciation for tax credit must come from the original applicant. If original estimates have not changed, enter replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter

those amounts for future years.

Melissa W.

Dec 13 2013

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE \_\_\_\_\_

Applicant Name  
Unity Wind, LLCISD Name  
Hereford ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"		Final taxable value for I&S - after all reductions	Final taxable value for M&O--after all reductions
	pre-year 1	2014-2015	2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Complete tax years of qualifying time period	1	2015-2016	2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2	2016-2017	2016	\$ -	\$ 850,000	\$ 414,000,000	\$ -	\$ 414,850,000	\$ 414,850,000
	3	2017-2018	2017	\$ -	\$ 807,500	\$ 393,300,000	\$ -	\$ 394,107,500	\$ 30,000,000
	4	2018-2019	2018	\$ -	\$ 767,125	\$ 373,635,000	\$ -	\$ 374,402,125	\$ 30,000,000
	5	2019-2020	2019	\$ -	\$ 728,769	\$ 354,953,250	\$ -	\$ 355,682,019	\$ 30,000,000
Value Limitation Period	6	2020-2021	2020	\$ -	\$ 692,330	\$ 337,205,588	\$ -	\$ 337,897,918	\$ 30,000,000
	7	2021-2022	2021	\$ -	\$ 657,714	\$ 320,345,308	\$ -	\$ 321,003,022	\$ 30,000,000
	8	2022-2023	2022	\$ -	\$ 624,828	\$ 304,328,043	\$ -	\$ 304,952,871	\$ 30,000,000
	9	2023-2024	2023	\$ -	\$ 593,587	\$ 289,111,641	\$ -	\$ 289,705,227	\$ 30,000,000
	10	2024-2025	2024	\$ -	\$ 563,907	\$ 274,656,059	\$ -	\$ 275,219,966	\$ 30,000,000
Credit Settle-Up Period	11	2025-2026	2025	\$ -	\$ 535,712	\$ 260,923,256	\$ -	\$ 261,458,968	\$ 261,458,968
	12	2026-2027	2026	\$ -	\$ 508,926	\$ 247,877,093	\$ -	\$ 248,386,019	\$ 248,386,019
	13	2027-2028	2027	\$ -	\$ 483,480	\$ 235,483,238	\$ -	\$ 235,966,718	\$ 235,966,718
Post- Settle-Up Period	14	2028-2029	2028	\$ -	\$ 459,306	\$ 223,709,076	\$ -	\$ 224,168,382	\$ 224,168,382
Post- Settle-Up Period	15	2029-2030	2029	\$ -	\$ 436,341	\$ 212,523,622	\$ -	\$ 212,959,963	\$ 212,959,963

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.



SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

Dec 13 2013

# Amendment No. 001

## Schedule C- Application: Employment Information

Applicant Name Unity Wind, LLC  
ISD Name Hereford ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTE's or man-hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2014-2015	2014	0		0	\$ -	0	\$ -
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period	1	2015-2016	0		0	\$ -	0	\$ -
		2	2016-2017	200 FTE \$ 50,000		8	\$ 46,035	8	\$ 46,035
		3	2017-2018	0	N/A	8	\$ 46,035	8	\$ 46,035
		4	2018-2019	0	N/A	8	\$ 46,035	8	\$ 46,035
		5	2019-2020	0	N/A	8	\$ 46,035	8	\$ 46,035
		6	2020-2021	0	N/A	8	\$ 46,035	8	\$ 46,035
		7	2021-2022	0	N/A	8	\$ 46,035	8	\$ 46,035
		8	2022-2023	0	N/A	8	\$ 46,035	8	\$ 46,035
		9	2023-2024	0	N/A	8	\$ 46,035	8	\$ 46,035
		10	2024-2025	0	N/A	8	\$ 46,035	8	\$ 46,035
Credit Settle-Up Period	Continue to Maintain Viable Presence	11	2025-2026	0	N/A	8	\$ 46,035	8	\$ 46,035
		12	2026-2027	0	N/A	8	\$ 46,035	8	\$ 46,035
		13	2027-2028	0	N/A	8	\$ 46,035	8	\$ 46,035
Post- Settle-Up Period		14	2028-2029	0	N/A	8	\$ 46,035	8	\$ 46,035
Post- Settle-Up Period		15	2029-2030	0	N/A	8	\$ 46,035	8	\$ 46,035

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

  
SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

Dec 13 2013

Applicant  
Name

Unity Wind LLC

ISD Name

Hereford ISD

Form 50-296

Other Property Tax Abatements Sought

Sales Tax Information				Franchise Tax				Other Property Tax Abatements Sought			
Sales Taxable Expenditures				Franchise Tax				Other Property Tax Abatements Sought			
Column F: Estimate of total annual expenditures* subject to state sales tax		Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax		Column H: Estimate of Franchise tax due from (or attributable to) the applicant				County	City	Hospital	Other
Year	School Year (YYYY-YYYY)	Tax/ Calendar Year YYYY									
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2014-2015	2014									
Complete tax years of qualifying time period	1	2015-2016	2015	\$ 21,015,800	\$ 473,984,200	\$ -					
	2	2016-2017	2016			\$ -	100%				
	3	2017-2018	2017			\$ -	100%				
	4	2018-2019	2018			\$ -	100%				
	5	2019-2020	2019			\$ -	100%				
	6	2020-2021	2020			\$ 380,000	100%				
	7	2021-2022	2021			\$ 380,000	100%				
	8	2022-2023	2022			\$ 380,000	100%				
	9	2023-2024	2023			\$ 380,000	100%				
	10	2024-2025	2024			\$ 380,000	100%				
	11	2025-2026	2025			\$ 380,000	100%				
	12	2026-2027	2026			\$ 380,000					
	13	2027-2028	2027			\$ 380,000					
	14	2028-2029	2028			\$ 380,000					
	15	2029-2030	2029			\$ 380,000					

\*For planning, construction and operation of the facility.

  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE  
 DEC 13 2013

# Attachment 2



1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Michael Williams  
Commissioner

March 12, 2014

Mr. Robert Wood  
Director, Economic Development and Analysis  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Unity Wind LLC project on the number and size of school facilities in Hereford Independent School District (HISD). Based on the analysis prepared by Randy McDowell and Neal Brown for the school district and a conversation with the HISD superintendent, Kelli Moulton, the TEA has found that the Unity Wind LLC project would not have a significant impact on the number or size of school facilities in HISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at [al.mckenzie@tea.state.tx.us](mailto:al.mckenzie@tea.state.tx.us) if you need further information about this issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Al McKenzie", followed by a stylized flourish.

Al McKenzie, Manager  
Foundation School Program Support

AM/rk





1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Michael Williams  
Commissioner

March 12, 2014

Mr. Robert Wood  
Director, Economic Development and Analysis  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed Unity Wind LLC project for the Hereford Independent School District (HISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Randy McDowell and Neal Brown and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Unity Wind LLC project on HISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at [al.mckenzie@tea.state.tx.us](mailto:al.mckenzie@tea.state.tx.us) if you need further information about this issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Al McKenzie", with a stylized flourish at the end.

Al McKenzie, Manager  
Foundation School Program Support

AM/rk

**Summary of the District's Financial Impact  
of Chapter 313 Agreement  
with Unity Wind, LLC**

**Prepared by  
Randy McDowell, RTSBA  
&  
Neal Brown  
School Finance Consultants**

# **Hereford ISD Financial Impact of Chapter 313 Agreement**

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## **Summary of Hereford ISD Financial Impact of the Limited Appraised Value Application from Unity Wind, LLC**

### **Introduction**

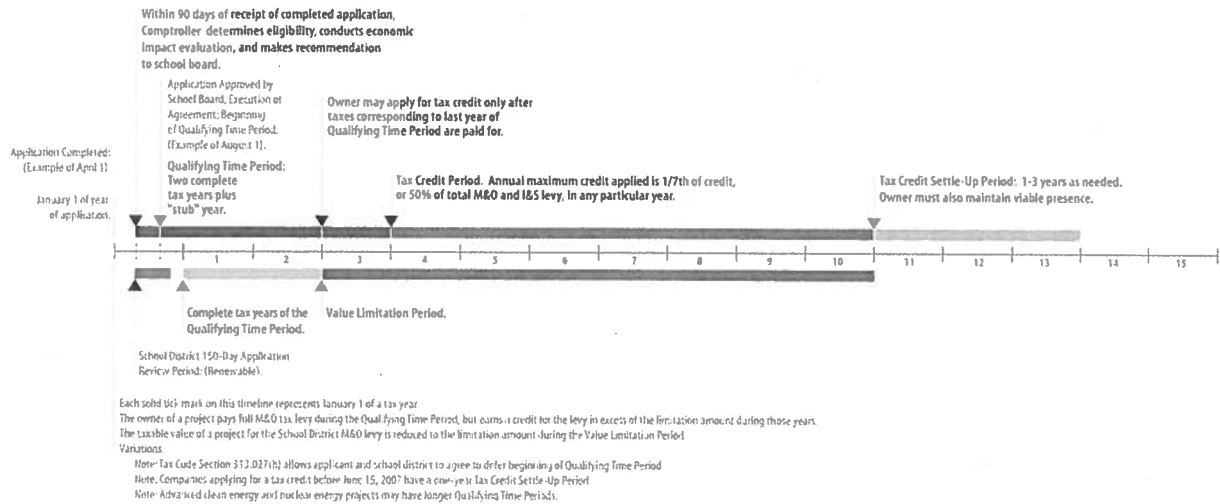
Unity Wind, LLC applied for a property value limitation from Hereford Independent School District under Chapter 313 of the Tax Code. The application was submitted on November 12, 2013 and subsequently approved for consideration by the Hereford ISD Board of Trustees. Unity Wind, LLC ("Unity Wind"), is requesting the property value limitation as a "renewable energy electric generation" project as listed in Sec. 313.024.(b) of the Tax Code.

"The Economic Development Act ", Tax Code Chapter 313, was created by House Bill 1200 of the 77<sup>th</sup> Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80<sup>th</sup> Texas Legislative Session in 2007.

The Economic Development Act was created to attract qualifying businesses to Texas by allowing school districts the option of approving a property value limitation to these qualifying entities. The purpose of the property value limitation is to reduce the maintenance and operations taxes paid by the company, to a school district during the applicable years as displayed below.

# Hereford ISD Financial Impact of Chapter 313 Agreement

## Appraised Value Limitation and Credit under Tax Code Chapter 313 for School District Maintenance & Operations (M&O) Tax



The company must file an application with the school district to qualify for consideration of a Limited Appraised Value Agreement ("LAVA" or "Agreement") to begin the following tax year or a later year if agreed upon by the District and the Company. The first two years of the agreement are considered the qualifying time period and the company's school district taxes will be levied at one-hundred percent of the appraised value. The applicant may then file a separate application with the school district to request tax credits (for taxes paid during the qualifying time period) to be applied during years four through ten of the LAVA, but not to exceed 50% of their tax levy for those years. Any tax credit balance remaining after this period can then be applied during years eleven through thirteen of the agreement, but cannot exceed the actual amount of taxes paid to the school district during the Settle-Up Period. After year thirteen, any leftover credits will not be applied and will expire.

During years three through ten of the LAVA, the qualifying entity's taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller's Office. Hereford ISD is considered a Rural category 1 District as categorized with total taxable value of industrial property of \$200 million or more, thus Hereford ISD has a

## Hereford ISD Financial Impact of Chapter 313 Agreement

minimum qualified investment amount of \$30 million. A qualifying entity's taxable value would be reduced to \$30 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Hereford ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

### Taxable Value Impact from LAVA

The "Additional Value from Unity Wind" represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company's taxable value will be limited to the \$30,000,000 minimum qualified investment of Hereford ISD.

**TABLE I- Calculation of Taxable Value:**

Tax Year	Additional Value From Unity Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2015	0	n/a	0	0
Jan. 1, 2016	414,850,000	n/a	0	414,850,000
Jan. 1, 2017	394,107,500	(30,000,000)	364,107,500	30,000,000
Jan. 1, 2018	374,402,125	(30,000,000)	344,402,125	30,000,000
Jan. 1, 2019	355,682,019	(30,000,000)	325,682,019	30,000,000
Jan. 1, 2020	337,897,918	(30,000,000)	307,897,918	30,000,000
Jan. 1, 2021	321,003,022	(30,000,000)	291,003,022	30,000,000
Jan. 1, 2022	304,952,871	(30,000,000)	274,952,871	30,000,000
Jan. 1, 2023	289,705,227	(30,000,000)	259,705,227	30,000,000
Jan. 1, 2024	275,219,966	(30,000,000)	245,219,966	30,000,000
Jan. 1, 2025	261,458,968	n/a	0	261,458,968
Jan. 1, 2026	248,386,019	n/a	0	248,386,019
Jan. 1, 2027	235,966,718	n/a	0	235,966,718

# Hereford ISD Financial Impact of Chapter 313 Agreement

## Unity Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for Unity Wind is \$25.25 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

Hereford ISD's projected tax rates for maintenance & operations (M&O) and interest & sinking (I&S) are based on the following assumptions:

- The District has not held a tax ratification election that would approve a M&O tax rate in excess of \$1.04; therefore, the study assumes that they will maintain a M&O tax rate of \$1.04. This does not suggest that Hereford ISD will not exercise its authority to hold an agreement during this agreement period.
- The District currently has no outstanding bond obligations and therefore has no I&S tax rate. The study assumes that they will have no bonded indebtedness during the agreement period; however, the district could call for a bond referendum and install an I&S tax during this agreement period.

**TABLE II- Computation of Net Tax Savings:**

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2015-2016	1.04	0.00	0	0	n/a	0	0
2016-2017	1.04	0.00	4,314,440	0	n/a	0	0
2017-2018	1.04	0.00	4,098,718	3,786,718	n/a	(3,845,406)	(58,688)
2018-2019	1.04	0.00	3,893,782	3,581,782	156,000	0	3,737,782
2019-2020	1.04	0.00	3,699,093	3,387,093	156,000	0	3,543,093
2020-2021	1.04	0.00	3,514,138	3,202,138	156,000	0	3,358,138
2021-2022	1.04	0.00	3,338,431	3,026,431	156,000	0	3,182,431
2022-2023	1.04	0.00	3,171,510	2,859,510	156,000	0	3,015,510
2023-2024	1.04	0.00	3,012,934	2,700,934	156,000	0	2,856,934
2024-2025	1.04	0.00	2,862,288	2,550,288	156,000	0	2,706,288
2025-2026	1.04	0.00	2,719,173	0	2,719,173	0	2,719,173
2026-2027	1.04	0.00	2,583,215	0	191,267	0	191,267
2027-2028	1.04	0.00	2,454,054	0	0	0	0
<b>Totals</b>			<b>39,661,776</b>	<b>25,094,895</b>	<b>4,002,440</b>	<b>(3,845,406)</b>	<b>25,251,929</b>

# Hereford ISD Financial Impact of Chapter 313 Agreement

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## Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on Hereford ISD. First, a thirteen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a thirteen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a thirteen year financial forecast was prepared that incorporates the additional taxable value of the company with an approved LAVA. These three forecasts are detailed in the "Calculation of LAVA Impact on District's Finances" section. The following assumptions were used to compare the financial impact of the LAVA:

- The current state funding formulas (in effect for 2013-2014 fiscal year) were used for state aid and recapture calculation purposes
  - Level 2 of Tier II yield - \$61.86 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district's tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2013.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value increase of 1% was used to project the district's taxable value, except as it related to the requested LAVA. The district's 2013 taxable value was used as a baseline for all projections
- The district's enrollment is projected to decrease slightly; therefore, the projected ADA and WADA for school year 2013-2014 was decreased by .1% per year for the life of the agreement.

Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the thirteen years of this proposed agreement. Also, Legislative changes to the school finance formulas are likely during the near future and almost certain during the life of this agreement.

# Hereford ISD Financial Impact of Chapter 313 Agreement

## Calculation of LAVA Impact on District's Finances

The tables displayed below (Table III, IV, V) show the different impacts on the school district's finances. These scenarios were computed to compare the District's revenue without the additional taxable value of Unity Wind (Table III), the addition of Unity Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of Unity Wind's taxable values with a Chapter 313 Agreement (Table V).

**TABLE III – District Revenues *without* Unity Wind:**

Fiscal Year	M&O Taxes				Revenue		
	Total Taxable	Compressed	State	Recapture	Tier I	Above	Total District
	Value	Rate	Revenue	Amount	Revenue	Comp Rate	Revenue
2015-2016	1,109,297,417	11,092,974	16,237,629	0	27,330,603	1,338,018	28,668,621
2016-2017	1,120,390,392	11,203,904	16,102,779	0	27,306,683	1,336,680	28,643,363
2017-2018	1,131,594,296	11,315,943	15,948,660	0	27,264,603	1,335,344	28,599,946
2018-2019	1,142,910,239	11,429,102	15,798,293	0	27,227,395	1,334,008	28,561,403
2019-2020	1,154,339,341	11,543,393	15,646,669	0	27,190,062	1,332,674	28,522,737
2020-2021	1,165,882,734	11,658,827	15,488,579	0	27,147,406	1,331,342	28,478,748
2021-2022	1,177,541,562	11,775,416	15,321,358	0	27,096,774	1,330,010	28,426,784
2022-2023	1,189,316,977	11,893,170	15,178,945	0	27,072,115	1,328,680	28,400,795
2023-2024	1,201,210,147	12,012,101	15,016,980	0	27,029,081	1,327,351	28,356,433
2024-2025	1,213,222,249	12,132,222	14,858,895	0	26,991,117	1,326,024	28,317,142
2025-2026	1,225,354,471	12,253,545	14,699,704	0	26,953,249	1,324,698	28,277,947
2026-2027	1,237,608,016	12,376,080	14,533,747	0	26,909,827	1,323,373	28,233,201
2027-2028	1,249,984,096	12,499,841	14,370,818	0	26,870,659	1,322,050	28,192,709



## Hereford ISD Financial Impact of Chapter 313 Agreement

**TABLE IV- District Revenues *with* Unity Wind *without* Chapter 313 Agreement:**

Fiscal Year	M&O Taxes				Revenue		
	Total Taxable	Compressed	State	Recapture	Tier I	Above	Total District
	Value	Rate	Revenue	Amount	Revenue	Comp Rate	Revenue
2015-2016	1,109,297,417	11,092,974	16,237,629	0	27,330,603	1,338,018	28,668,621
2016-2017	1,535,240,392	15,352,404	15,964,770	0	31,317,174	1,831,616	33,148,790
2017-2018	1,525,701,796	15,257,018	11,496,100	0	26,753,118	1,313,908	28,067,026
2018-2019	1,517,312,364	15,173,124	11,568,025	0	26,741,149	1,313,537	28,054,686
2019-2020	1,510,021,360	15,100,214	11,628,127	0	26,728,340	1,313,139	28,041,479
2020-2021	1,503,780,652	15,037,807	11,671,731	0	26,709,537	1,312,712	28,022,249
2021-2022	1,498,544,584	14,985,446	11,710,234	0	26,695,680	1,312,257	28,007,937
2022-2023	1,494,269,848	14,942,698	11,737,392	0	26,680,090	1,311,772	27,991,862
2023-2024	1,490,915,374	14,909,154	11,749,968	0	26,659,122	1,311,259	27,970,381
2024-2025	1,488,442,215	14,884,422	11,758,275	0	26,642,697	1,310,717	27,953,415
2025-2026	1,486,813,439	14,868,134	11,757,517	0	26,625,652	1,310,147	27,935,799
2026-2027	1,485,994,035	14,859,940	11,742,876	0	26,602,816	1,309,549	27,912,365
2027-2028	1,485,950,814	14,859,508	11,728,671	0	26,588,179	1,308,922	27,897,101

**TABLE V – District Revenues *with* Unity Wind *with* Chapter 313 Agreement:**

Fiscal Year	M&O Taxes				Revenue			Total District Revenue
	Total Taxable	Comp Rate	State Revenue	Recapture Amount	Tier I Revenue	Above Comp Rate	Payment for District Losses	
	Value	Comp Rate	Revenue	Amount	Revenue	Comp Rate	Losses	
2015-2016	1,109,297,417	11,092,974	16,237,629	0	27,330,603	1,338,018	0	28,668,621
2016-2017	1,535,240,392	15,352,404	15,964,770	0	31,317,174	1,831,616	0	33,148,790
2017-2018	1,161,594,296	11,615,943	11,605,332	0	23,221,275	1,000,345	3,845,406	28,067,026
2018-2019	1,172,910,239	11,729,102	15,312,421	0	27,041,523	1,333,667	0	28,375,190
2019-2020	1,184,339,341	11,843,393	15,169,853	0	27,013,246	1,332,337	0	28,345,583
2020-2021	1,195,882,734	11,958,827	15,020,920	0	26,979,747	1,331,008	0	28,310,755
2021-2022	1,207,541,562	12,075,416	14,876,513	0	26,951,929	1,329,680	0	28,281,609
2022-2023	1,219,316,977	12,193,170	14,729,908	0	26,923,078	1,328,353	0	28,251,431
2023-2024	1,231,210,147	12,312,101	14,577,409	0	26,889,510	1,327,028	0	28,216,538
2024-2025	1,243,222,249	12,432,222	14,428,897	0	26,861,119	1,325,704	0	28,186,824
2025-2026	1,486,813,439	14,868,134	14,209,716	0	29,077,851	1,568,568	0	30,646,418
2026-2027	1,485,994,035	14,859,940	11,742,876	0	26,602,816	1,309,549	0	27,912,365
2027-2028	1,485,950,814	14,859,508	11,728,671	0	26,588,179	1,308,922	0	27,897,101

# Hereford ISD Financial Impact of Chapter 313 Agreement

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## Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79<sup>th</sup> Legislative Session and became effective for the 2006-2007 school year. Those formula changes had an effect on the district's financial impact from granting a property value limitation. Due to the district's "Hold Harmless" provision that was enacted in the funding formulas, some districts had the majority of the district's revenue losses in year three of the LAVA offset with additional state funding. The funding that was available to offset those revenue losses was called Additional State Aid for Tax Reduction (ASATR) and those funds were phased out as a result of legislation in the 82<sup>nd</sup> Legislative Session in 2011. This legislation eliminated the ASATR funding for fiscal year 2017-2018 and thereafter and can have a significant financial impact for LAVA agreements that have a year three in 2017-2018 or later. The loss of ASATR funding can again cause a district to experience a significant loss of funds in year three of the agreement and consequently cause the company to have revenue protection payments during that year that are similar to those experienced prior to 2006-2007.

## Hereford ISD Financial Impact of Chapter 313 Agreement

### Payments in Lieu of Taxes

Assuming that the District and Unity Wind, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Hereford ISD by Unity Wind, the projected amount of these payments over the life of the agreement is \$5.02 million of the \$25.25 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

**TABLE VI - Calculation of the Payment in Lieu of Taxes:**

Fiscal Year	Net Tax Savings	Hereford ISD Share \$100/ADA	Unity Wind Share
2015-2016	0	388,831	(388,831)
2016-2017	0	388,442	(388,442)
2017-2018	(58,688)	388,054	(446,742)
2018-2019	3,737,782	387,666	3,350,116
2019-2020	3,543,093	387,278	3,155,815
2020-2021	3,358,138	386,891	2,971,247
2021-2022	3,182,431	386,504	2,795,927
2022-2023	3,015,510	386,118	2,629,392
2023-2024	2,856,934	385,731	2,471,203
2024-2025	2,706,288	385,346	2,320,942
2025-2026	2,719,173	384,960	2,334,213
2026-2027	191,267	384,575	(193,308)
2027-2028	0	384,191	(384,191)
<b>Totals</b>	<b>25,251,929</b>	<b>5,024,587</b>	<b>20,227,342</b>

# Hereford ISD Financial Impact of Chapter 313 Agreement

## Impact of Projected Student Growth On District Facilities

**TABLE VII – Campus Capacity and Available Growth**

Campus	Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
Aikman Elem	K-5	23	506	441	65
Bluebonnet Elem	K-5	18	396	337	59
Northwest Elem	K-5	24	528	478	50
Tierra Blanca El.	K-5	19	418	358	60
West Central El.	K-5	15	330	257	73
Stanton Learning	PK-EE	16	352	320	32
Hereford Jr High	6-7	35	700	604	96
Hereford Prep Academy	8	24	480	309	171
Hereford High	9-12	77	1540	1118	422
<b>Total</b>		<b>251</b>	<b>5,250</b>	<b>4,222</b>	<b>1,028</b>

The building capacities are based on 22 students per classroom for the elementary campuses, 20 students for the Jr. High and high school. Hereford ISD is a pre-kindergarten through 12<sup>th</sup> grade district.

Unity, LLC provided supplemental information with their application that projected the number of full-time employees that are expected for permanent employment after construction of the project is completed. They projected that eight full-time employees are expected. It is not known whether these would be new employees to the Hereford ISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new eight positions equates to 4 new students.

This minimal projected student growth can easily be accommodated with the current facilities of Hereford ISD as displayed in Table VII above.

# Hereford ISD Financial Impact of Chapter 313 Agreement

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## Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Unity Wind, LLC, would be beneficial to both Unity Wind and Hereford ISD under the current school finance system.

Unity Wind, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Unity Wind is projected to benefit from a 78% tax savings over the first twelve year period of this agreement. Unity Wind also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

Hereford ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require Unity Wind to offset any district losses caused by the LAVA. An annual calculation will be performed each year to determine if a loss to the District has been incurred. The revenue impact to the District will be computed by comparing the District's revenues with and without the LAVA in effect.

# Attachment 3

## Deaf Smith County

### Population

- Total county population in 2010 for Deaf Smith County: 18,655 , up 1.6 percent from 2009. State population increased 1.8 percent in the same time period.
- Deaf Smith County was the state's 123th largest county in population in 2010 and the 54th fastest growing county from 2009 to 2010.
- Deaf Smith County's population in 2009 was 32.6 percent Anglo (below the state average of 46.7 percent), 1.6 percent African-American (below the state average of 11.3 percent) and 64.9 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Deaf Smith County:

Hereford: 14,367

### Economy and Income

#### Employment

- September 2011 total employment in Deaf Smith County: 8,711 , down 0.2 percent from September 2010. State total employment increased 0.9 percent during the same period.  
(October 2011 employment data will be available November 18, 2011).
- September 2011 Deaf Smith County unemployment rate: 6.0 percent, up from 5.5 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).

#### Income

- Deaf Smith County's ranking in per capita personal income in 2009: 213th with an average per capita income of \$28,132, down 0.6 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

#### Industry

- Agricultural cash values in Deaf Smith County averaged \$546.57 million annually from 2007 to 2010. County total agricultural values in 2010 were up 25.6 percent from 2009. Major agriculture related commodities in Deaf Smith County during 2010 included:
  - Other Beef      ▪ Ensilage      ▪ Wheat      ▪ Corn      ▪ Fed Beef
- 2011 oil and gas production in Deaf Smith County: barrels of oil and Mcf of gas. In September 2011, there were 0 producing oil wells and 0 producing gas wells.

### Taxes

#### Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

##### *Quarterly (September 2010 through December 2010)*

- Taxable sales in Deaf Smith County during the fourth quarter 2010: \$30.13 million, up 0.1 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Hereford: \$27.38 million, up 9.2 percent from the same quarter in 2009.

##### *Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)*

- Taxable sales in Deaf Smith County through the fourth quarter of 2010: \$111.11 million, up 0.6 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Hereford: \$99.86 million, up 3.1 percent from the same period in 2009.

##### *Annual (2010)*

- Taxable sales in Deaf Smith County during 2010: \$111.11 million, up 0.6 percent from 2009.
- Deaf Smith County sent an estimated \$6.94 million (or 0.04 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Hereford: \$99.86 million, up 3.1 percent from 2009.

## ***Sales Tax – Local Sales Tax Allocations***

***(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)***

### ***Monthly***

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Deaf Smith County based on the sales activity month of August 2011: \$159,224.89, up 9.7 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:  
     **Hereford:**                      \$159,224.89, up 9.7 percent from August 2010.

### ***Fiscal Year***

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Deaf Smith County based on sales activity months from September 2010 through August 2011: \$1.93 million, up 8.6 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:  
     **Hereford:**                      \$1.93 million, up 8.6 percent from fiscal 2010.

### ***January 2011 through August 2011 (Sales Activity Year-To-Date)***

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Deaf Smith County based on sales activity months through August 2011: \$1.28 million, up 9.0 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:  
     **Hereford:**                      \$1.28 million, up 9.0 percent from the same period in 2010.

### ***12 months ending in August 2011***

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Deaf Smith County based on sales activity in the 12 months ending in August 2011: \$1.93 million, up 8.6 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:  
     **Hereford:**                      \$1.93 million, up 8.6 percent from the previous 12-month period.

### ***City Calendar Year-To-Date (RJ 2011)***

- Payment to the cities from January 2011 through October 2011:  
     **Hereford:**                      \$1.63 million, up 8.6 percent from the same period in 2010.

### ***Annual (2010)***

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Deaf Smith County based on sales activity months in 2010: \$1.82 million, up 1.9 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:  
     **Hereford:**                      \$1.82 million, up 1.9 percent from 2009.

## ***Property Tax***

- As of January 2009, property values in Deaf Smith County: \$1.45 billion, down 0.2 percent from January 2008 values. The property tax base per person in Deaf Smith County is \$78,766, below the statewide average of \$85,809. A negligible 0.0 percent of the property tax base is derived from oil, gas and minerals.

## **State Expenditures**

- Deaf Smith County's ranking in state expenditures by county in fiscal year 2010: 139th. State expenditures in the county for FY2010: \$57.57 million, unchanged 0.0 percent from FY2009.
- In Deaf Smith County, 11 state agencies provide a total of 65 jobs and \$650,637.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):



- Health & Human Services Commission
- Department of Public Safety
- Department of Aging and Disability Services
- Department of Transportation
- Department of Family and Protective Services

### **Higher Education**

- Community colleges in Deaf Smith County fall 2010 enrollment:
  - None.
- Deaf Smith County is in the service area of the following:
  - Amarillo College with a fall 2010 enrollment of 11,540 . Counties in the service area include:
    - Carson County
    - Castro County
    - Deaf Smith County
    - Moore County
    - Oldham County
    - Parmer County
    - Potter County
    - Randall County
    - Swisher County
- Institutions of higher education in Deaf Smith County fall 2010 enrollment:
  - None.

### **School Districts**

- Deaf Smith County had 2 school districts with 9 schools and 4,341 students in the 2009-10 school year.  
(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
  - Hereford ISD had 4,203 students in the 2009-10 school year. The average teacher salary was \$43,857. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.
  - Walcott ISD had 138 students in the 2009-10 school year. The average teacher salary was \$50,045. The percentage of students meeting the 2010 TAKS passing standard for all tests was 95 percent.